

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
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STR-07 ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15
NSCE-00 SSO-00 ICAE-00 INRE-00 XMB-02 EA-10
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O R 251420Z MAY 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 2095
INFO ALL OECD CAPITALS
AMEMBASSY BRUSSELS
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E.O. 11652: N/A
TAGS: ETRD, OECD
SUBJECT: TRADE COMMITTEE MAY 23-24

1. SUMMARY. TRADE COMMITTEE AGREED ON TEXT FOR AN
UPDATED TRADE PLEDGE AND ACCOMPANYING REPORT TO
OECD COUNCIL. THOUGH EC, IN DEFERENCE TO UK PRE-
FERENCE TO RENEW EXISTING PLEDGE, DID NOT FORMALLY
APPROVE TEXT, CHAIRMAN STEEG BELIEVES UK CONCERNS
HAVE BEEN MET AND THEY WILL BE FORTHCOMING. MAIN CHAN-
GES FROM EARLIER DRAFTS ARE MODIFICATION OF REFERENCE TO
EXCHANGE MARKET DISTURBANCES TO MEET US CONCERNS AND
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CONDENSATION OF PARAGRAPHS ON SECTORS AND ADJUSTMENT
TO REMOVE AMBIGUITIES. ON EXPORT CREDITS, GROUP
WELCOMED AUSTRIAN AND NEW ZEALAND ADHERENCE TO
CONSENSUS, AND US EXPRESSED CONCERN ABOUT NEED TO
IMPROVE GUIDELINES. WITH RESPECT TO EAST/WEST TRADE,
DELS PRAISED ACTIVITY OF WORKING PARTY AND US
WARNED AGAINST APPROACHES TO EASTERN CONTRIBUTION

IN MTN WHICH RAN CONTRARY TO WEST'S LONG TERM INTERESTS. UNDER NOTIFICATIONS ITEM AUSTRALIANS COMPLAINED ABOUT US SUGAR POLICY AND POSSIBLE MEAT LEGISLATION. TC WILL MEET AGAIN NOVEMBER 7-8 TO DISCUSS ITS ROLE IN POST MTN PERIOD AND PREPARATIONS FOR UNCTAD-5. US DEL'S SOUNDINGS WITH SECRETARIAT AND TC CHAIRMAN ON STARTING WORK ON TRADE IN SERVICES MET WITH FAVORABLE RESPONSE. END SUMMARY.

2. TRADE PLEDGE: CAREFUL PREPARATION BY TC CHAIRMAN STEEG RESULTED IN RAPID AGREEMENT ON TEXTS OF UPDATED TRADE PLEDGE AND ACCOMPANYING REPORT TO OECD COUNCIL. RESTRICTED DINNER ON EVE OF TC WAS DEVOTED PRIMARILY TO REDRAFTING PARAGRAPHS ON SECTORAL ACTIONS AND ADJUSTMENT MEASURES, TO MEET CONCERNS OF NUMBER OF DELS ABOUT AMBIGUITIES, AND WORKING OUT COMPROMISE ON EXCHANGE RATE LANGUAGE. SECTORAL PARAS WERE COMBINED TO YIELD STRAIGHTFORWARD STATEMENT THAT SECTORAL ACTIONS 'SHOULD BRING ABOUT ADAPTIONS THROUGH MEASURES WHICH DO NOT TRANSFER THE BURDEN OF ADJUSTMENT AND WHICH AVOID OR MINIMIZE DISTORTION TO TRADE.' DEBATE ON EXCHANGE RATE PHRASE CENTERED ON CONCERN BY US TO AVOID LANGUAGE IMPLYING SITUATION OF PERMANENT OR CONTINUING DISTURBANCES IN FOREIGN EXCHANGE MARKETS. OTHERS, ESPECIALLY SWISS AND GERMANS, RESISTED ANY- LIMITED OFFICIAL USE

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THING WHICH CLOSED OFF POSSIBILITY THAT DOLLAR WAS UNDERVALUED. COMPROMISE REACHED REPLACES "DISTURBANCES IN FOREIGN EXCHANGE MARKETS" BY PHRASE "MONETARY PROBLEMS". PLENARY MADE ONLY MINOR CHANGES IN DRAFT.

3. DISCUSSIONS REVEALED ONLY UK HAD PROBLEM OF PRINCIPLE WITH NEW TEXT. UK DEL (ABRAMSON) SAID UK SAW PLEDGE AS PART OF A GLOBAL ECONOMIC PACKAGE, THE GROWTH COMPONENTS OF WHICH WERE ONLY LIKELY TO EMERGE FROM THE BONN SUMMIT, AND THUS STRONGLY PREFERRED RENEWAL OF PLEDGE AT OECD MINISTERIAL TO BE

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AS LOW KEY AND UNSOLEMN AS POSSIBLE, BASED ON OLD
TEXT. (IN ADDITION ABRAMSON EXPRESSED CONCERN ABOUT
WHAT CHANGES UK MINISTERS MIGHT WANT TO MAKE IN A
NEW TEXT). UK POSITION MEANT THAT TC AGREEMENT TO
TEXT COULD ONLY BE, IN CHAIRMAN'S WORDS, "WITH
UNDERSTANDING THAT SOME DELS STILL NEED TO GET
FORMAL APPROVAL OF THEIR GOVERNMENTS." HOWEVER TC
AGREED TO SEVERAL CHANGES TO EASE UK PRESENTATIONAL
PROBLEM, I.E. WORD "DECLARE" IN OPERATIVE PART OF
PLEDGE IS NOW "REAFFIRM," AND REPORT TO COUNCIL AND
PROPOSED ENTRY IN MINUTES REFER TO PLEDGE AS AN
ELEMENT OF CONCERTED ACTION ON GROWTH. TEXT OF
PLEDGE AND REPORT BEING TRANSMITTED BY SEPTTEL.

4. AFTER TEXT WAS AGREED US DEL MADE STATEMENT NOTING
THAT, WHILE MEASURES BEING TAKEN BY GOVERNMENTS TO
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EASE ADJUSTMENT PROBLEMS WERE LESS DAMAGING THAN THEY
MIGHT HAVE BEEN WITHOUT TRADE PLEDGE, UNLIMITED PRO-
LIFERATION OF TRADE LIMITATION BY CONSENT OF GOVERN-
MENTS OR INDUSTRIES AND GOVERNMENT INTERVENTION TO
SUPPORT INDUSTRY CARRIED SERIOUS RISK OF BACK DOOR
PROTECTIONISM. HE EXPRESSED HOPE MTN WOULD ADDRESS
PROBLEM OF APPROPRIATE SURVEILLANCE AND INTERNATIONAL

DISCIPLINE AND SUGGESTED TRADE COMMITTEE MIGHT
NEED TO RETURN TO SUBJECT IN THE FUTURE.

5. EXPORT CREDITS: SECRETARIAT ANNOUNCED THAT
LAST 2 MEMBERS OF EXPORT CREDITS GROUP -- AUSTRIA AND
NEW ZEALAND -- HAD NOW ADHERED TO THE NEW GUIDELINES.
US EXPRESSED CONCERN THAT SUBSTANTIVE IMPROVEMENTS IN
THE GUIDELINES HAD NOT BEEN ACHIEVED, POINTED OUT
THAT PRESSURES FOR EXPANDING EXPORT CREDIT FACILITIES
WERE PARTICULARLY STRONG IN THE U.S., AND URGED
OTHER DELS TO RECOGNIZE NEED FOR IMPROVING THE
ARRANGEMENT IF A CREDIT RACE WERE TO BE AVOIDED. NO
OTHER DELS COMMENTED.

6. EAST-WEST TRADE: LARGE NUMBER OF DELS INTERVENED
TO PRAISE ACTIVITIES OF WORKING PARTY ON ISSUE OF
EAST-WEST TRADE, AND ENCOURAGED GROUP TO CONTINUE
WORK AND SELECT ITS OWN PRIORITIES. US, REFERRING
IMPLICITLY TO EC PROPOSALS FOR SECTORAL IMPORT
COMMITMENTS, EXPRESSED CONCERN THAT WEST AVOID APPROA-
CHES IN THE MTN CONTRARY TO ITS LONGER TERM INTEREST
IN MORE MARKET-ORIENTED ECONOMIES IN THE EAST AND WHICH
RISKED BEING DISCRIMATORY AMONG OECD COUNTRIES.
EC RESPONSE WAS THAT SOME REAL CONTRIBUTION TO MTN FROM
EAST WAS NEEDED AND THAT THE WORK ON THIS QUESTION
MUST BE TACKLED IN GENEVA. MOST DELS WHO SPOKE TOOK
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MIDDLE GROUND, RECOGNIZING US CONCERNS BUT SEEING
NECESSITY TO ACCOUNT FOR DIFFERENCES BETWEEN WESTERN
AND EASTERN SYSTEMS AND AVOID GIVING THE LATTER A
"FREE RIDE." JAPAN PLEADED FOR CLOSER OECD
COOPERATION. ITALIANS DID NOT THINK MTN WAS FEASIBLE
TOOL FOR INTEGRATING EAST MORE CLOSELY INTO WORLD
ECONOMY. UK PROPOSED ANALYSIS OF EASTERN IMPORTS
OF CONSUMER GOODS AND SUGGESTED THIS WAS AREA WHERE
EASTERN PERFORMANCE NEEDED IMPROVEMENT.

7. NOTIFICATIONS OF CHANGES IN TRADE POLICY: AUSTRAL-
IA EXPRESSED CONCERN ABOUT UNCERTAINTIES AND DELAY
SURROUNDING US SUGAR POLICY, AND STATED HOPE THAT US
WOULD RESIST PRESSURES FOR FURTHER PROTECTION OF DOMES-
TIC PRODUCERS AND PHASE OUT EXISTING FEE AS PRICE
INCREASED. IN ADDITION AUSTRALIAN REP COMPLAINED
ABOUT ADVERSE EFFECTS WHICH PASSAGE INTO LAW OF
BENTSEN BILL CONTAINING A COUNTERCYCLICAL FORMULA
FOR US MEAT IMPORTS WOULD HAVE ON AUSTRALIAN EXPORTS.
US DEL SAID USG WISHES TO MAINTAIN ACCESS TO US MARKET
FOR MEAT WHICH IS RELATIVELY MORE OPEN THAN OTHER MAJOR

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MARKETS. GERMANS URGED TCWP REVIEW OECD NOTIFICATION
PROCEDURES AND GROUP AGREED, SUBJECT TO EC COMMISSION
QUALIFICATION THAT THIS SHOULD TAKE FORM OF "EDUCATING"
DELS ON PROPER USE OF EXISTING PROCEDURES.

8. FUTURE WORK: TC WILL MEET AGAIN NOVEMBER 7-8.
CHAIRMAN SUGGESTED GROUP TAKE UP 1) ROLE OF TRADE
COMMITTEE IN POST-MTN PERIOD, AND 2) (IN RESPONSE
TO US PROPOSAL MADE PRIVATELY), POSSIBLE PREPARATIONS
ON TRADE ISSUES WHICH MAY ARISE AT UNCTAD-5. SECRE-
TARIAT WILL DO A PAPER ON THIS QUESTION.

9. US DEL RAISED QUESTION OF ENERGIZING TC TO LOOK
AT PROBLEMS OF TRADE IN SERVICES WITH MRS. STEEG, TCWP
CHAIRMAN BERNES AND CHIEF OF TRADE DIRECTORATE POIN-
CILIT. ALL WERE ENTHUSIASTIC, BUT THERE WAS AGREE-
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MENT THAT, GIVEN COMPLEX AND NOVEL NATURE OF THE
SUBJECT, GROUND SHOULD BE PREPARED CAREFULLY TO
AVOID IMMEDIATE NEGATIVE REACTIONS BY DELS. CONSENSUS
WAS THAT WASHINGTON SHOULD PROVIDE ASAP 1) RESEARCH
DONE BY USG ON THIS QUESTION FOR USE BY SECRETARIAT
AND 2) STATEMENT OF RATIONALE FOR TAKING UP ISSUE
IN OECD. MISSION WOULD USE LATTER TO RAISE QUESTION
AT INFORMAL DINNER OF KEY LOCAL TRADE REPS AT AN
EARLY OPPORTUNITY.

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